

SUGAR HOUSE PARK AUTHORITY

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

December 31, 2006 and 2005

HANSEN, BARNETT & MAXWELL, P.C.

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

SUGAR HOUSE PARK AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Trustees
Sugar House Park Authority

We have audited the accompanying balance sheets of Sugar House Park Authority (the "Authority") as of December 31, 2006 and 2005 and the related statements of revenues and expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sugar House Park Authority as of December 31, 2006 and 2005, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2007 on our consideration of the Sugar House Park Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hansen, Barnett & Maxwell, P.C.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
April 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Sugar House Park Authority (the Organization), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended December 31, 2006.

History and Background of Government

Sugar House Park Authority was organized on July 16, 1957, when 116 acres of land, generally known as the old Salt Lake Prison site, were conveyed jointly by Salt Lake City and Salt Lake County to the Sugar House Park Authority, as trustee in trust, until December 31, 2055. Salt Lake City and Salt Lake County have agreed to jointly donate funds annually for the continued operation of Sugar House Park. The funds have not been restricted as to use by either of the governmental agencies. Reservation fees for the use of park facilities, rental income and interest income are the only other significant sources of revenue.

Financial Highlights

At December 31, 2006, the Organization had \$1,201,385 in assets, compared to \$1,420,575 and \$1,347,077 at December 31, 2005 and 2004, respectively.

The Organization's revenues and expenses do not vary significantly from year to year. The Organization's primary source of revenue is received from Salt Lake City and Salt Lake County. This revenue is utilized to maintain the park's operations. In 2006, 2005, and 2004, the Organization's operations were such that expenses did not fluctuate significantly.

In 2001, the Organization began to receive rental income from Qwest Communications for a cellular phone tower built within the park. In 2006, the rental contract was terminated by Verizon, which had purchased the contract from Qwest.

The Organization used cash of \$127,622 in operations in 2006. The Organization generated cash from operations of \$157,420 during 2005 and used cash of \$39,209 in operations during 2004. The primary reason for these differences was the timing of payments made to Salt Lake County for maintenance expenses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. Since Sugar House Park Authority is a joint venture of Salt Lake County and Salt Lake City, it is subject to the requirements of GASB Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*. This statement does not allow the use of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, or SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the accompanying financial statements do not reflect the provisions of SFAS No. 116 or 117.

Financial Analysis

The Organization's net assets, may serve over time, as a useful indicator of an organization's financial position. In the case of the Organization, assets exceeded liabilities by \$1,198,630 at the close of the most recent fiscal year.

By far the largest portion of the Organization's net assets (85%) reflects its investment in property and equipment (e.g. land, buildings and related improvements), net of accumulated depreciation. The Organization uses the property and equipment to enhance the community's enjoyment of the park; consequently, these assets are not available for future spending. The following table describes the Organization's net assets:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 179,938	\$ 322,025	\$ 166,308
Property and equipment	1,021,447	1,098,550	1,180,769
Total assets	<u>1,201,385</u>	<u>1,420,575</u>	<u>1,347,077</u>
Accounts payable	2,755	165,327	-
Deferred revenue	-	8,423	8,099
Total liabilities	<u>2,755</u>	<u>173,750</u>	<u>8,099</u>
Net Assets:			
Invested in property and equipment, net of accumulated depreciation	1,021,447	1,098,550	1,180,769
Unrestricted	177,183	148,275	158,209
Total net assets	<u>\$ 1,198,630</u>	<u>\$ 1,246,825</u>	<u>\$ 1,338,978</u>

At the end of the current year, the Organization is able to report positive balances in both categories of net assets. The same situation held true for the two previous years.

The Organization's net assets decreased by \$48,195 during 2006 and by \$92,153 and \$79,938 during 2005 and 2004, respectively.

Key elements of the decrease in net assets are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:			
Contributions	\$ 400,962	\$ 333,088	\$ 336,582
Reservation fees	47,283	51,883	41,320
Interest income	5,210	3,277	2,465
Rental income	7,721	8,099	7,788
Total revenues	<u>461,176</u>	<u>396,347</u>	<u>388,155</u>
Expenses:			
General	412,795	391,924	376,533
Depreciation	96,576	96,576	91,560
Total expenses	<u>509,371</u>	<u>488,500</u>	<u>468,093</u>
Increase (decrease) in net assets	(48,195)	(92,153)	(79,938)
Net assets – beginning of year	1,246,825	1,338,978	1,418,916
Net assets – end of year	<u>\$ 1,198,630</u>	<u>\$ 1,246,825</u>	<u>\$ 1,338,978</u>

Budgetary Highlights

For the year ended December 31, 2006, the Organization budgeted for \$453,861 in operating revenues and actually received \$461,176.

For the year ended December 31, 2006, the Organization budgeted for \$445,962 of general expenses. The actual general expenses for the year were \$412,795.

Property and Equipment

The Organization's investment in property and equipment as of December 31, 2006 amounts to \$1,021,447 net of accumulated depreciation. This investment includes land, buildings and related improvements. During the year ended December 31, 2006, the Organization purchased improvements of \$19,473.

Organization's Property and Equipment (net of depreciation)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ 210,600	\$ 210,600	\$ 210,600
Improvements	810,847	887,950	970,169
Total	<u>\$ 1,021,447</u>	<u>\$ 1,098,550</u>	<u>\$ 1,180,769</u>

Requests for Information

This financial report is designed to provide a general overview of the Organization's finances for all those with an interest. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the Board of the Sugar House Park Authority, 3383 South 300 East, Salt Lake City, Utah, 84115.

**SUGAR HOUSE PARK AUTHORITY
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005**

ASSETS

	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents	\$ 173,068	\$ 315,655
Receivable from Salt Lake County	1,095	850
Prepaid insurance	<u>5,775</u>	<u>5,520</u>
Total Current Assets	<u>179,938</u>	<u>322,025</u>
Property and Equipment		
Land	210,600	210,600
Improvements	2,185,721	2,166,248
Buildings	375,402	375,402
Accumulated depreciation	<u>(1,750,276)</u>	<u>(1,653,700)</u>
Net Property and Equipment	<u>1,021,447</u>	<u>1,098,550</u>
Total Assets	<u><u>\$ 1,201,385</u></u>	<u><u>\$ 1,420,575</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 2,755	\$ 1,771
Payable to Salt Lake County	-	163,556
Deferred revenue	<u>-</u>	<u>8,423</u>
Total Current Liabilities	<u>2,755</u>	<u>173,750</u>
Net Assets		
Invested in property and equipment	1,021,447	1,098,550
Unrestricted	<u>177,183</u>	<u>148,275</u>
Total Net Assets	<u>1,198,630</u>	<u>1,246,825</u>
Total Liabilities and Net Assets	<u><u>\$ 1,201,385</u></u>	<u><u>\$ 1,420,575</u></u>

The accompanying notes are an integral part of these financial statements.

**SUGAR HOUSE PARK AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Salt Lake City contribution	\$ 200,481	\$ 166,544
Salt Lake County contribution	200,481	166,544
Reservation fees	<u>47,283</u>	<u>51,883</u>
Total Operating Revenues	<u>448,245</u>	<u>384,971</u>
Operating Expenses		
Fourth of July celebration	45,406	44,876
Insurance expense	16,394	15,693
Professional fees	3,900	3,642
Miscellaneous expenses	599	601
County maintenance contract	335,739	327,112
Engineering	10,757	-
Depreciation expense	<u>96,576</u>	<u>96,576</u>
Total Operating Expenses	<u>509,371</u>	<u>488,500</u>
Operating Loss	<u>(61,126)</u>	<u>(103,529)</u>
Nonoperating Revenues		
Interest income	5,210	3,277
Rental income	<u>7,721</u>	<u>8,099</u>
Total Nonoperating Revenues	<u>12,931</u>	<u>11,376</u>
Decrease in Net Assets	(48,195)	(92,153)
Net Assets - Beginning of Year	<u>1,246,825</u>	<u>1,338,978</u>
Net Assets - End of Year	<u><u>\$ 1,198,630</u></u>	<u><u>\$ 1,246,825</u></u>

The accompanying notes are an integral part of these financial statements.

**SUGAR HOUSE PARK AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Contributions received	\$ 400,962	\$ 333,088
Reservation receipts from customers	47,038	51,033
Payments to suppliers	<u>(575,622)</u>	<u>(226,701)</u>
Net Cash from Operating Activities	<u>(127,622)</u>	<u>157,420</u>
Cash Flows from Investing Activities		
Purchase of equipment	(19,473)	(14,357)
Interest received	5,210	3,277
Rents received	-	8,423
Rents refunded	<u>(702)</u>	<u>-</u>
Net Cash from Investing Activities	<u>(14,965)</u>	<u>(2,657)</u>
Net Change in Cash and Cash Equivalents	(142,587)	154,763
Cash and Cash Equivalents at Beginning of Year	<u>315,655</u>	<u>160,892</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 173,068</u></u>	<u><u>\$ 315,655</u></u>
Reconciliation of Expenses Over Revenues to Net Cash from Operating Activities:		
Operating loss	\$ (61,126)	\$ (103,529)
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	96,576	96,576
Changes in assets and liabilities:		
Receivable from Salt Lake County	(245)	(850)
Prepaid insurance	(255)	(104)
Accounts payable	984	1,771
Payable to Salt Lake County	<u>(163,556)</u>	<u>163,556</u>
Net Cash from Operating Activities	<u><u>\$ (127,622)</u></u>	<u><u>\$ 157,420</u></u>

The accompanying notes are an integral part of these financial statements.

**SUGAR HOUSE PARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sugar House Park Authority was organized on July 16, 1957, when 116 acres of land, generally known as the old Salt Lake Prison site, were conveyed jointly by Salt Lake City and Salt Lake County to the Sugar House Park Authority, as trustee in trust, until December 31, 2055. Salt Lake City and Salt Lake County have agreed to jointly donate funds annually for the continued operation of Sugar House Park. The funds have not been restricted as to use by either of the governmental agencies. Reservation fees for the use of park facilities, rental income and interest income are the only other significant sources of revenue. Both Salt Lake County and Salt Lake City consider the park a joint venture, and each reports the Park Authority's financial activity as a joint venture in their respective financial statements.

Basis of Presentation

Accounting Policies — As a joint venture of the Salt Lake County and Salt Lake City, the Authority is subject to the requirements of GASB Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles By Governmental Entities*. This statement does not allow the use of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, or SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, or SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Accordingly, the accompanying financial statements do not reflect the provisions of SFAS No. 116, 117, or 124. The Authority has adopted GASB 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting* whereby the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

The operations of the Authority are accounted for by a set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues, and expenses. The Authority uses the accrual basis of accounting.

Cash and Cash Equivalents — Cash and short-term investments with an original maturity of three months or less are considered to be cash and cash equivalents. Cash, depending on source of receipts, is pooled, except when legal requirements dictate the use of separate accounts.

Property and Equipment — Acquisitions of property and equipment are capitalized. Cost of maintenance, repairs and minor renewals are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated lives of the assets ranging from 5 to 35 years.

Income Tax Status — The Authority is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under the State of Utah tax regulations and, therefore, is not subject to federal or state income taxes on its exempt activities.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Deferred Revenue — Deferred revenue is recorded when cash or other assets are received prior to being earned.

Concentration of Business Transactions — The Authority is subject to a concentration risk from the revenue received from Salt Lake County and Salt Lake City to execute its maintenance contracts. During the years ended December 31, 2006 and 2005, 87% and 84% of the total revenue earned by the Authority was a result of the maintenance contract with the County and the City.

A five-year contract was signed between Sugar House Park Authority and Salt Lake County Parks and Recreation Department in May 2002. Under the contract, Salt Lake County Parks and Recreation is responsible for daily management, operation and maintenance of the Park

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Deposits and investments for the Authority are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are the discussions of the Authority’s exposure to various risks related to its cash management activities.

Deposit Custodial Credit Risk — Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be recovered. The Authority’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Authority to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the local government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006 and 2005, \$0 and \$113,636, respectively, of the Authority’s bank cash balances in qualified depositories were uninsured and uncollateralized.

Credit Risk — Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Authority’s policy for limiting the credit risk of investments is to comply with the Money Management Act.

The Authority is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

As of December 31, 2006 and 2005, the Authority had investments of \$107,492 and \$102,282, respectively, with the PTIF. The entire balance had a maturity of less than one year. These investments with the State bore interest at 5.22% at December 31, 2006. The carrying amount is materially equal to fair value. The PTIF pool has not been rated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Summary – The above described cash deposits and investments are summarized and presented in the financial statements at fair value in accordance with the following analysis:

	December 31, 2006	December 31, 2005
Deposits	\$ 65,576	\$ 213,373
Investments	107,492	102,282
Cash and cash equivalents	<u>\$ 173,068</u>	<u>\$ 315,655</u>

NOTE 3 – PROPERTY AND EQUIPMENT

The following tables summarize the change in property and equipment during the years ended December 31, 2006 and 2005:

	Balance December 31, 2005	Additions	Retirements	Reclassified	Balance December 31, 2006
Property and equipment, not being depreciated:					
Land	\$ 210,600	\$ -	\$ -	\$ -	\$ 210,600
Property and equipment, being depreciated:					
Improvements other than buildings	2,166,248	19,473	-	-	2,185,721
Buildings	375,402	-	-	-	375,402
Total property and equipment, being depreciated	2,541,650	19,473	-	-	2,561,123
Less: accumulated depreciation	(1,653,700)	(96,576)	-	-	(1,750,276)
	887,950	(77,103)	-	-	810,847
Property and Equipment, net	<u>\$ 1,098,550</u>	<u>\$ (77,103)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021,447</u>

	Balance December 31, 2004	Additions	Retirements	Reclassified	Balance December 31, 2005
Property and equipment, not being depreciated:					
Land	\$ 210,600	\$ -	\$ -	\$ -	\$ 210,600
Property and equipment, being depreciated:					
Improvements other than buildings	2,151,891	14,357	-	-	2,166,248
Buildings	375,402	-	-	-	375,402
Total property and equipment, being depreciated	2,527,293	14,357	-	-	2,541,650
Less: accumulated depreciation	(1,557,124)	(96,576)	-	-	(1,653,700)
	970,169	(82,219)	-	-	887,950
Property and Equipment, net	<u>\$ 1,180,769</u>	<u>\$ (82,219)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,550</u>

Depreciation expense for the years ended December 31, 2006 and 2005 was \$96,576 and \$96,576, respectively.

NOTE 4 – RELATED-PARTY TRANSACTIONS

As of December 31, 2006 and 2005, the Authority was owed \$1,095 and \$850, respectively, by Salt Lake County. As of December 31, 2006 and 2005 the Authority also owed to Salt Lake County \$0 and \$163,556, respectively, for expenses relating to the maintenance of facilities.

NOTE 5 – RENTAL INCOME

In December 2001, the Authority entered into a rental income contract with a telecommunications company. Under terms of the contract, the Authority received \$600 per month in rental income, payable in one lump sum on or before January 15th of each year. Annual rent increased each following year by four percent. The contract was schedule to expire in 2026, but it was terminated in October of 2006 per request of the lessee and in accordance with the provisions of the lease.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Honorable Members of the Board of Trustees
Sugar House Park Authority

We have audited the financial statements of Sugar House Park Authority, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sugar House Park Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sugar House Park Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sugar House Park Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

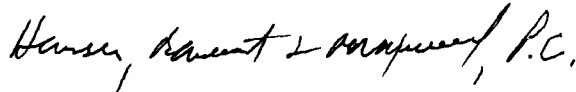
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sugar House Park Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, management, and funding entities and is not intended to be and should not be used by anyone other than these specified parties.



HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
April 19, 2007